Military Officers Association of America

STATEMENT OF

THE MILITARY OFFICERS ASSOCIATION OF AMERICA

Before the

HOUSE ARMED SERVICES
SUBCOMMITTEE ON MILITARY PERSONNEL

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Presented by

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MR. CHAIRMAN, RANKING MEMBER DAVIS, AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE, thank you for the opportunity to comment on the Defense Department's TRICARE fee proposals in the FY2012 budget.

The Military Officers Association of America (MOAA) does not receive any grants or contracts from the federal government.

MOAA appreciates the Subcommittee's consistent support in recent years to protect beneficiaries from disproportional health care fee increases.

MOAA has not taken the position that TRICARE fees should never rise. If retired pay doubles or triples due to cost-of-living adjustments over a lifetime, we believe it would be unrealistic to expect that fees would not rise by even $1.

However, we assert that the statute should provide reasonable guidelines for setting and adjusting TRICARE fees.

Statutory formulas govern nearly all other major military compensation elements. In this regard, there are formulas for setting and adjusting military retired pay, pay raises, survivor benefits, and more.

But current law leaves much of the TRICARE fee-setting-and-adjustment process to the discretion of the Secretary of Defense. For many years, no secretary proposed any increase in TRICARE fees, leading beneficiaries to believe there would be no increases. In 2007 and 2008, beneficiaries were shocked when a new secretary proposed tripling or quadrupling fees.

In a very real sense, the military health care package symbolizes the mutual commitment between career military families and the government they serve.

The government puts no cap on the sacrifices it demands of servicemembers and their families. In contrast, current law leaves their crucial career healthcare package subject to dramatic swings with year-to-year leadership and/or budget changes.

MOAA is encouraged that the administration's FY 2012 budget proposal avoids the draconian fee changes proposed in past years and more appropriately acknowledges career military families' pre-payment of very large premiums of service and sacrifice over the course of a 20-30-year career in uniform.

We particularly appreciate the proposed elimination of co-pays for the mail-order pharmacy system and the exemption of survivors and military disability retirees from the TRICARE Prime fee increases.

But we object strongly to the Department's proposed linkage of future TRICARE Prime fee adjustments for non-disabled beneficiaries under age 65 to an as-yet-unspecified measure of health cost growth for the broader population that DoD actuaries assume would grow at an average of 6.2% per year.

The attached chart shows the dramatic adverse compounding effect this index would exert on the Prime enrollment fee over time versus the proposal by MOAA to cap annual increases at no more than the retired pay COLA percentage (which the DoD Actuary projects at 3% per year for purposes of managing the military retirement trust fund).

MOAA believes opportunities for far greater cost savings are missed by continuing shortfalls in Defense Department efforts to pursue:

- More effective promotion of the mail-order pharmacy
- Consolidation of redundant/competing service and contractor systems
- More effective management of chronic conditions and use of technology
- More efficient and effective contracting and acquisition systems

To restore important career benefit stability and limit future adverse retention consequences, MOAA believes Congress should establish in law the following principles:

- ***The military retirement and healthcare package is the primary offset for the many unique and extraordinary demands and sacrifices inherent in a military career.***

- ***Those decades of service and sacrifice constitute a very large, pre-paid premium for career military members' and families' healthcare coverage in retirement, over and above the fees they pay in cash. This large, up-front and in-kind premium must be acknowledged in statute to explicitly reject inappropriate, "apple-to-orange" comparisons focused on cash fees paid by military beneficiaries vs. civilians.***

- ***The way to incorporate this inherently unquantifiable military-unique premium of service and sacrifice in the fee adjustment process is to limit the percentage increase in TRICARE fees in any year to the percentage increase in military retired pay.***

Monetary Impact of DoD-Proposed Fee Adjustment Methodology

Year	Cap at Retired Pay COLA* Percentage	DoD Proposal (tied to HC inflation)**	Difference (loss of purchasing power)	Year	Cap at Retired Pay COLA* Percentage	DoD Proposal (tied to HC inflation)**	Difference (loss of purchasing power)
2011	$460	$460	$0	2029	$859	$1,446	$586
2012	$520	$520	$0	2030	$885	$1,535	$650
2013	$536	$552	$17	2031	$912	$1,631	$719
2014	$552	$586	$35	2032	$939	$1,732	$793
2015	$568	$623	$55	2033	$967	$1,839	$872
2016	$585	$661	$76	2034	$996	$1,953	$957
2017	$603	$702	$100	2035	$1,026	$2,074	$1,048
2018	$621	$746	$125	2036	$1,057	$2,203	$1,146
2019	$640	$792	$153	2037	$1,089	$2,339	$1,251
2020	$659	$841	$183	2038	$1,121	$2,485	$1,363
2021	$678	$894	$215	2039	$1,155	$2,639	$1,483
2022	$699	$949	$250	2040	$1,190	$2,802	$1,612
2023	$720	$1,008	$288	2041	$1,225	$2,976	$1,750
2024	$741	$1,070	$329	2042	$1,262	$3,160	$1,898
2025	$764	$1,137	$373	2043	$1,300	$3,356	$2,056
2026	$787	$1,207	$421	2044	$1,339	$3,564	$2,225
2027	$810	$1,282	$472	2045	$1,379	$3,785	$2,406
2028	$834	$1,361	$527	2046	$1,421	$4,020	$2,600

* Uses DoD actuaries' 3% long-term COLA assumption for military retirement trust fund
**DoD proposal assumes a 6.2% annual cost inflation factor

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Steve Strobridge, a native of Vermont, is a 1969 graduate from Syracuse University. Commissioned through ROTC, he was called to active duty in October 1969.

After several assignments as a personnel officer and commander in Texas, Thailand, and North Carolina, he was assigned to the Pentagon from 1977 to 1981 as a compensation and legislation analyst at Headquarters USAF. While in this position, he researched and developed legislation on military pay, health care, retirement and survivor benefits issues.

In 1981, he attended the Armed Forces Staff College in Norfolk, VA, en route to a January 1982 transfer to Ramstein AB, Germany. Following assignments as Chief, Officer Assignments and Assistant for Senior Officer Management at HQ, U.S. Air Forces in Europe, he was selected to attend the National War College at Fort McNair, DC in 1985.

Transferred to the Office of the Secretary of Defense upon graduation in June 1986, he served as Deputy Director and then as Director, Officer and Enlisted Personnel Management. In this position, he was responsible for establishing DoD policy on military personnel promotions, utilization, retention, separation and retirement.

In June 1989, he returned to Headquarters USAF as Chief of the Entitlements Division, assuming responsibility for Air Force policy on all matters involving pay and entitlements, including the military retirement system and survivor benefits, and all legislative matters affecting active and retired military members and families.

He retired from that position on January 1, 1994 to become MOAA's Deputy Director for Government Relations.

In March 2001, he was appointed as MOAA’s Director of Government Relations and also was elected Co-Chairman of The Military Coalition, an influential consortium of 33 military and veterans associations.